



Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: October 29, 2012

To: Council Vice President Robert Lilligren and Council Member Elizabeth Glidden
Referral to: Committee of the Whole; Intergovernmental Relations

Subject: Federal State and Local Update

Recommendation: Receive and File

Prepared by: IGR Staff

Approved by: Gene Ranieri, IGR Director _____

Presenters in Committee: IGR Staff

Supporting Information

State Of Minnesota. The November forecast will be released in late November/early December. The forecast will project revenues for the current and next fiscal year. The forecast will be updated in February by another forecast that will be used to develop the 2014/2015 biennial budget.

Based on the November 2011-February 2012 forecast the state projects the current biennium ending on June 30, 2013 to have a fund balance. Minnesota statutes govern the use of a projected fund balance during the current biennium.

If a revenue forecast shows a surplus for the general fund in the current biennium, the Commissioner of Management and Budget must allocate the surplus in priority order as defined in statute (MS16A.152, subdivision 2). The priority order follows:

- To the cash flow account until it reaches \$350.0 million.
- To the budget reserve account, until it reaches \$653 million.
- To increase the school aid payment schedule to 90 percent.
- To restore school aid reductions and reduce the property tax recognition shift accordingly.
- To restore the \$14.0 million in 2008 from the state airports fund to the general fund.

The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released.

Since the November 2011 and February 2012 forecasts projected surpluses of \$876.0 million and \$323.0 million respectively for the current biennium, the Commissioner allocated the surplus based on the statutory priority. As a result of the two forecasts the status of each priority follows:

- Cash flow account: balance at statutory amount of \$350.0 million.
- Budget reserve: balance at statutory amount of \$653.0 million.
- School aid payments: \$318.0 million used to pay down payment shift.
Approximately \$1.8 billion remains to be repaid.
- School property tax: \$600.0 million remains to be paid.
- Airport Fund: \$15.0 million remains to be repaid.

The legislature can change repayment priorities. For example the 2012 legislature repealed the repayment of the 2010 transfer from the fire safety account.

Metropolitan Council Operating and Capital Budget. At Metropolitan Council meetings on August 8 and September 12, Metropolitan Council staff presented an overview of the 2013 operating and capital budgets respectively. Links to the power point presentations can be accessed at

http://councilmeetings.metc.state.mn.us/council_meetings/2012/0808/2013_Preliminary_Budget_Presentation_to_Council%2008082012%20Final.pdf and http://councilmeetings.metc.state.mn.us/council_meetings/2012/0808/2013_Preliminary_Budget_Presentation_to_Council%2008082012%20Final.pdf The former link is the operating budget presentation and the latter is the capital budget and plan presentation.

On Wednesday, October 31, 2012, the Metropolitan Council is scheduled to approve the public comment drafts of the 2013 budget. Comments on the budget can be accepted to the public record until 5 PM, December 11, 2012. The Council intends to adopt the budget and levies on December 12, 2012.

The Metropolitan Council is proposing a \$828.0 million operating budget. Of the total \$573.0 or 69% is for operations, \$109 million or 13% is for pass-through grants and loans and \$146.0 or 18% is for debt service. The levy is proposed to be \$78.0 million or a 2% increase compared to 2012.

The capital budget includes a budget for the current year but also the 2013 - 2018 capital plan. The 2013 capital budget is proposed to be \$575.0 million while the capital program is \$3.3 billion. The 2013 – 2018 capital improvement plan intends to expend \$2.3 billion or 70% of the plan on transportation projects, \$800.0 million on environmental service projects and \$200.0 million or 6% on parks and open space projects. The five year plan is proposed to be funded by a combination of federal, state and county transportation improvement board funds as well as regional borrowing.